COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE POLICY OF SOUTH CENTRAL BELL TELEPHONE COMPANY CONCERNING THE CONSTRUCTION OF FACILITIES OVER PRIVATE PROPERTY (GENERAL SUBSCRIBER SERVICES TARIFF-A5-CHARGES APPLICABLE UNDER SPECIAL CONDITIONS)	)	CASE NO. 8994

O R D E R

On March 16, 1984, the Commission issued an Order requiring South Central Bell Telephone Company ("Bell") to appear at a hearing on April 12, 1984, and present testimony relative to the charges for construction of facilities over private property. The hearing was later rescheduled and held on April 17, 1984. Several complainants not represented by counsel appeared to give testimony on charges quoted to them by Bell.

Bell's witness, Fred Gerwing, testified that in the 1960's and early 1970's Bell used two types of arrangements to provide service to customers over long distances of private property. These facilities were called farmer lines and contract 1310 lines. The only difference between these facilities was that Bell provided the telephone set on the 1310 line. In both instances Bell would run the wire a certain length and the customer would provide his own facility over the remaining distance. This type of arrangement was expensive to maintain. Moreover, when trouble arose there was confusion over who was at fault and there were transmission problems due to the quality of the facility in many instances. Bell "grandfathered" these types of facilities in the late 1960's.

Mr. Gerwing also stated that in the 1970's many coal mines in eastern Kentucky were applying for telephone service and this required extensive construction over private property. Bell was also providing similar facilities to residences and other businesses. The A5 section of the tariff, which defines special construction and related charges, existed at that time; however Bell was not enforcing it. In December 1979, in Case No. 7646, the Commission admonished Bell for not enforcing the charges for special construction in that section of the tariff.

According to Bell's witness, in April of 1980, Bell started charging for special construction beyond 300 feet. A number of complaints arose and the Commission staff requested that Bell try to work out a procedure to allow customers to do their own construction. The Federal Communications Commission ("FCC") required registered protective circuitry ("RPC") to be connected between telephone company and customer provided facilities. Both the Commission staff and Bell tried to locate an RPC that would operate adequately in the field environment; however, such a device was never located. To alleviate most of the complaints, Bell decided to extend the 300 feet of free construction to 700 feet, but not allow customers to provide their own facilities due to the lack of availability of suitable RPCs and other reasons.

Mr. Gerwing further testified that prior to January 1984, the FCC required Bell to add this type of special construction to its books in the 48C account. Under this method, Bell had to pay federal income taxes, local, and ad valorem taxes on this plant which in turn was recovered from the customer. Depreciation expenses and other factors were also included in the customer's charges due to the fact that the plant assets were on Bell's books. In January 1984, the FCC allowed Bell to place this type of construction in the 45C and other plant accounts. Under this method, the plant will be considered contributed capital and is no longer on the books. Therefore Bell has no taxes, depreciation, etc., associated with the plant. The special construction charges can now be broken down into three components. The first is the capital cost of the actual construction which is basically the loaded cost per foot of placing buried cable or aerial wire, and the loaded cost of poles, trenching, etc. The second is the maintenance cost which is a maintenance factor multiplied by the amount of the capital cost. The third is the administrative cost which is an administrative factor multiplied by the capital cost. The capital cost is a one-time charge, whereas the maintenance and administrative costs become recurring charges to the customer.

In order for a customer to perform his own construction an RPC would have to be obtained that would work adequately under adverse conditions. At this time no such device has proven to be effective in such conditions. Even if such a device were located, there are other concerns with customers providing their own outside telephone facilities. Safety to both the customer and telephone company employees must be considered. If outside plant is not properly protected from lightning, then dangerous situations may arise. One entity providing the entire facility could more likely ensure that proper grounding procedures are taken. Another problem arises with network design. Electrical parameters such as resistance and capacitance vary with the length of the loop; therefore the length is critical in determining if loading coils or amplifiers will be required to meet specifications and ensure a good quality of service. Design can be accomplished more efficiently if the actual loop length is known; however, if customers were to perform their own construction, the exact loop length would not be known. It is possible that if a subscriber extended his loop significantly there would be transmission problems which would cause problems for not only the subscriber, but parties calling inward to that subscriber. Finally there is the problem of maintenance. If customers provided their own outside facility, then there could be problems in determining whether the problem was in Bell's equipment or customer provided outside plant. Possibly in the future these problems may be resolved. However considering the evidence at this time the Commission FINDS that Bell's policy on not allowing subscribers to provide their own outside plant entrance facility for telephone service is currently reasonable and should be continued; however, further consideration may be warranted and better information is needed so that the Commission may better evaluate whether the problems discussed above are indeed insurmountable. If conditions change such as the development or location of a suitable RPC or there are any other occurrences which would make customer provided outside facilities more practical, then the Commission may look into the matter further at such time.

The Commission realizes that the costs of providing private facilities may be substantial for an individual and that the charges for such can become unaffordable for residential and single line business customers. However, the Commission is also of the opinion that all of these costs should not be absorbed by the entire body of ratepayers. The Commission must determine a fair solution for all parties involved. Therefore the Commission FINDS that Bell should charge its single line residence and business subscribers the capital costs for special construction only. Bell should include the associated recurring maintenance and administrative costs with all general maintenance and administrative costs. The Commission is of the opinion that this is a fair solution that will not unduly burden any party. The Commission further FINDS that seasonal dwellings where the telephone is not in service for the entire year and multi-line businesses should pay the capital cost and the recurring administrative and maintenance charges as they have done in the past.

IT IS THEREFORE ORDERED that Bell shall currently continue its policy of not allowing subscribers to provide their own outside facility over private property except in hazardous or inaccessible locations; however, Bell shall consider the feasibility of permitting customers to construct and/or contract for construction of their own facilities, keeping in mind recent FCC actions permitting customers greater flexibility. Therefore, Bell shall file a report of findings regarding the various options available within 6 months from the date of this Order. The report shall include a discussion of the technical reasons, if any, as to why persons other than Bell should not be permitted to construct their own facilities.

IT IS FURTHER ORDERED that on and after the date of this Order Bell shall charge its single line business and residence customers the capital cost of construction facilities over private property beyond the 700 foot point as it has done in the past; however the recurring maintenance and administrative costs should be included in with all other general maintenance and administrative costs and the customer shall not be charged this recurring charge.

IT IS FURTHER ORDERED that multi-line businesses and seasonal dwellings where the service is not connected for the entire year shall pay the capital costs and recurring charges as they have done in the past.

IT IS FURTHER ORDERED that Bell shall file changes in its A5 tariff reflecting the contents of this Order.

Done at Frankfort, Kentucky, this 13th day of July, 1984.

PUBLIC SERVICE COMMISSION

Richard D. Heman Jr.

Chairman

Vice Chairman

Commissioner

ATTEST:

Acting Secretary